

ABSTRACT OF THE DISCLOSURE

A system and method for generating and managing a generic mortgage-backed securities index. Bonds are selected for the index on a monthly basis. In order to determine which bonds will be represented in the index during a particular month, a set of calculations is performed during the second business week of the preceding month. For the purpose of selecting bonds for the index, all outstanding mortgage-backed securities are considered. They are first aggregated into pools based on their coupon and original term, and then their total outstanding principals are considered. If the total principal outstanding of any 30-year coupon represents more than a predetermined percentage such as 1.5% of the total, then this 30-year coupon will be included in the Index. Similarly, if the total principal outstanding on any 15-year coupon represents more than a second predetermined percentage such as 0.4% of the total, then this 15-year coupon will be included in the Index. The performance of the Index is measured by its total return. An algorithm for calculating the total return of the generic Index is also provided. The total return of the index partially depends on the relative weight assigned to each particular security included in the index. The present invention provides a method of assigning relative weights in accordance with relative proportions of different individual securities in the index, and covers the frequency of re-weighting.